



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE

11 March 2005

MEMORANDUM FOR MAJCOM Medical Logistics Representatives

FROM: AFMSA/SGSL
1423 Sultan Drive Suite 200
Fort Detrick MD 21702-5006

SUBJECT: Mandatory Contract Requirements for Commercial Credit Return Contracts
(Susp: 1 Apr 05)

A FY04 Department of Defense (DoD) Inspector General audit on DoD Management of Pharmaceutical Inventory and Processing of Returned Pharmaceuticals identified many discrepancies associated with the management of the credit returns program.

To ensure Air Force MTFs are in compliance with the audit findings, medical logistics accounts must select one of the following options for their credit returns contract:

- a. Utilize the Defense Supply Center Philadelphia's national contract with Guaranteed Returns. This can be accomplished by registering at their website (<https://dmmonline.dscpl.dla.mil/pharm/returnprog.asp>). This is the recommended option.
- b. Use of a locally-awarded contract which includes the following specific requirements:
 - (1) An on-site initial inventory of all items collected at the facility will be conducted prior to out-shipment. This can be accomplished by government personnel or by the contractor through an on-site service option (supervised by a government employee). For each item, the report will include National Drug Code, manufacturer, strength, packaging size, drug name, quantity and price. Inventory and collections (if the on-site service option is chosen) of Pharmacy materiel (including all partial units of issue) will be made directly from the Pharmacy.
 - (2) The contractor will provide adjusted inventory reports that allow the Government to track items eligible for credit from collection to receipt. To ensure accountability for each line item, these reports will include actual credits given and will be in the same format as the initial inventory to facilitate line item by line item comparisons of estimated and actual credits. The adjusted inventory will include, at a minimum:
 - (a) A list of returnable items with estimated credits.
 - (b) A list of non-returnable items with the cost of disposal.
 - (c) Credit reports showing both estimated and actual credits.

(d) Cost reports identifying contractor fees for each collection.

(3) Payment to the contractor will be based on a percentage of actual credits received and will be made through the prime vendor (PV) credit accounts. The PV contracting officer at DSCP must review the contract and approve the use of the PV credit account for payment. A secondary payment method must be specified in the contract in case credit accounts do not have adequate balances to pay for the service provided.

(4) The credit returns company will be fully certified to handle and distribute controlled substances.

(a) Separate inventories will be completed for Schedule II and Schedule III-V narcotics. The MTF commander will appoint a disinterested officer in the rank of MSgt or above, or GS-7 or above, to supervise the inventories.

(b) The MTF must notify the contractor in advance if Schedule II narcotics are being returned. The contractor will provide shipping labels, filing procedures, completed DEA 222 Forms, and a tamper evident pouch to ship the materiel (if the on-site service option is not selected). A disposal manifest, Proof of Destruction, and a listing of the items receiving credit from the manufacturer will be generated and forwarded to medical logistics. At that time, all non-returnable goods will be disposed of utilizing industry standard commercial practices in compliance with local, state, and federal regulations.

(c) Schedule III-V drugs can be sent to the contractor with all other outdated prescription and over-the-counter products. The materiel will be shipped in a tamper evident container (if the initial inventory is completed by government personnel).

(5) If an account chooses the local contract option, all Statements of Work must be forwarded to AFMSA/SGSLC for review prior to solicitation.

In addition, regardless of which option is chosen, medical logistics and the Pharmacy will analyze their returns data at least every 12 months, for trends that may indicate a need to modify inventory levels or ordering processes. The results of this analysis should be briefed to the Pharmacy and Therapeutics Function and documented in the minutes.

Medical logistics accounts will notify their MAJCOMs which credit returns contract option they are utilizing. MAJCOMs will forward a listing of their account's decisions to AFMSA/SGSLC NLT 1 Apr 05. If the DSCP contract is not being used, accounts must forward a copy of their current contract to AFMSA/SGSLC for review. If the contract does not meet the requirements listed above, SGSLC will recommend a course of action, and in coordination with the account, establish an estimated date of completion. Status updates will be provided to SGSLC NLT the last duty day of each month until the contract is satisfactorily amended.

Please direct questions to Capt Christopher Estridge at DSN 343-4168, commercial 301-619-4168, or email christopher.estrIDGE@ft-detrick.af.mil.

A handwritten signature in black ink, appearing to read 'Perry R. Cooper', with a stylized flourish extending to the right.

PERRY R. COOPER Col, USAF, MSC, FACHE
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Office of the Surgeon General